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THESIS

A PROPOSED GUIDE FOR IMPROVING THE
ORGANIZATION AND CONDUCT OF PROCUREMENT
MANAGEMENT REVIEW WITHIN THE MARINE
CORPS FIELD CONTRACTING SYSTEM

by

Brian L. McMillan

March 1990

Thesis Advisor:

E. Neil Hart

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A Proposed Guide for Improving the Organization and Conduct
of Procurement Management Review within the Marine Corps
Field Contracting System

by

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Captain, United States Marine Corps
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Submitted in partial fulfillment of the
requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

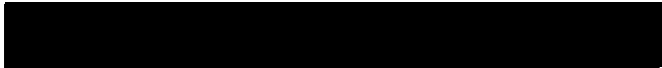
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ABSTRACT

This thesis analyzes the organization and conduct of the Procurement Management Review (PMR) program within the Marine Corps Field Contracting System. An attempt is made to identify, to the maximum extent possible, the goals, management philosophy, organization, and methods considered to be ideal for PMR by three sources: literature, previous studies, and contracting professionals. An analysis and comparison between this consensus and HQMC's current PMR policies and procedures, as well as field contracting personnel's perceptions of these policies and procedures is conducted to highlight similarities and differences, and to provide acquisition managers at HQMC with alternatives for improving current practices to optimize the effectiveness of the PMR program, given the Marine Corps Field Contracting System's peculiar acquisition needs and structure.



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TABLE OF CONTENTS

I.	INTRODUCTION -----	1
	A. PURPOSE OF THE RESEARCH -----	1
	B. RESEARCH QUESTIONS -----	3
	C. RESEARCH METHODOLOGY -----	3
	D. SCOPE, LIMITATIONS, AND ASSUMPTIONS -----	5
	E. DEFINITIONS AND ABBREVIATIONS -----	6
	F. ORGANIZATION OF THE STUDY -----	7
II.	BACKGROUND -----	8
	A. INTRODUCTION -----	8
	B. HISTORICAL PERSPECTIVE -----	9
	C. CURRENT POLICIES, PROCEDURES AND ORGANIZATION -----	15
	D. ISSUES IN PMR PHILOSOPHY AND CONDUCT -----	26
	E. SUMMARY -----	29
III.	DISCUSSION AND ANALYSIS -----	31
	A. INTRODUCTION -----	31
	B. GOALS -----	32
	C. MANAGEMENT PHILOSOPHY -----	43
	D. ORGANIZATIONAL STRUCTURE AND STAFFING -----	55
	E. METHODOLOGY/IMPLEMENTATION -----	65
	F. SUMMARY -----	76
IV.	CONCLUSIONS AND RECOMMENDATIONS -----	78
	A. RESTATEMENT OF OBJECTIVES -----	78
	B. CONCLUSIONS -----	79

C. RECOMMENDATIONS -----	83
D. RECOMMENDATIONS FOR FURTHER RESEARCH -----	85
E. ANSWERS TO RESEARCH QUESTIONS -----	86
F. SUMMARY -----	88
APPENDIX A: LIST OF INTERVIEWS -----	90
APPENDIX B: INTERVIEW RECORD -----	92
LIST OF REFERENCES -----	94
INITIAL DISTRIBUTION LIST -----	96

I. INTRODUCTION

A. PURPOSE OF THE RESEARCH

The Department of Defense (DOD), in DOD Directive 5126.34, Defense Procurement Management Review Program, has directed that the various Services develop and conduct a program of periodic reviews of their contracting and contract management organizations [Ref. 1:p. 1]. The purpose of this program is to ensure that these organizations are performing their functions in an efficient and legally compliant manner. In accordance with this directive, each Service is charged with developing a formal review system known as Procurement Management Review (PMR). In response to this requirement, each Service has developed a PMR program to meet its peculiar procurement methods, needs and structure.

Within the Marine Corps, the responsibility for conducting PMRs of field contracting activities has been delegated to the Contracts Division of the Installations and Logistics Branch at Headquarters Marine Corps (HQMC). All Marine Corps field contracting organizations obtain contracting authority and are subject to PMR inspections from this headquarters division.

The PMR program developed by the Marine Corps Contracting Division is less formal in nature than that

developed by the other Services. There is to date, no formally published order or directive providing policy and guidance for organizing, conducting and reporting PMR results within the Marine Corps. While all reviews are conducted in accordance with the Navy's "Manual for the Review of Contracting and Contract Management Organizations," there are no officially designated PMR inspectors, nor any formally established methods for selecting and staffing the inspection teams. Finally, PMRs appear to have been conducted on an infrequent basis, often with long periods of time between reviews. While a full schedule of regular visits was recently proposed by the Contracts Division, it was not sufficiently funded by HQMC to allow full coverage of existing activities.

The purpose of this research effort is to identify, to the maximum extent possible, the goals, management philosophy, organization, and methods considered to be ideal for PMR by three sources: literature, previous studies, and contracting professionals. An analysis and comparison between this consensus and HQMC's current PMR policies and procedures, as well as field contracting personnel's perceptions of those policies and procedures is conducted to highlight similarities and differences. This information can then be used by acquisition managers at HQMC to examine and develop alternatives for improving current practices to optimize the effectiveness of the PMR program, given the

Marine Corp Field Contracting System's peculiar acquisition needs and structure.

B. RESEARCH QUESTIONS

The following research questions were addressed during this research.

1. Primary Research Question

How should the Marine Corps organize to perform a Procurement Management Review function that will best serve its peculiar acquisition and procurement needs and structure?

2. Subsidiary Research Questions

- * How does the Marine Corps currently review its procuring activities?
- * How do those being reviewed perceive the current PMR program in terms of meeting the needs of the Marine Corps Field Contracting System?
- * Does the current system meet the needs of the Marine Corps' Field Contracting System?
- * Can and should the Marine Corps improve on its current system?
- * How would the reorganized system differ from the current system in goals, management philosophy, organizational structure, and implementation?

C. RESEARCH METHODOLOGY

The research methodology employed during this study encompassed three primary efforts.

1. Literature Review

An extensive review of the available literature related to PMR was conducted with materials obtained from

the Dudley Knox Library, and the Department of Administrative Sciences Library at the Naval Postgraduate School, the Defense Logistics Studies Information Exchange (DLSIE), the Defense Technical Information Center (DTIC), and the Department of Defense, U.S. Navy, and U.S. Marine Corps Directives systems.

2. Analysis of Previous Research Findings

During the course of the literature review it became apparent that while there was little material that specifically addressed the conduct of PMR, there were numerous research efforts related to the subject. In particular, these related studies addressed improving the management of the defense acquisition process, improving the quality of acquisition decision making and the quality of procurement actions, and improving the quality of management audit and control processes.

The findings of these researchers were analyzed in the context of their relation to the purpose and conduct of the PMR function. Specific attention was devoted to how the findings of these studies might alter the perceptions of acquisition managers involved in planning, organizing, conducting, undergoing and responding to PMR within the Marine Corps Field Contracting System.

3. Feedback from Headquarters and Field Personnel

Personal and telephonic interviews were conducted with Marine Corps field contracting officers, Marine Corps

PMR inspectors, and staff personnel at Marine Corps and Naval Supply Systems Command Headquarters, with cognizance over the PMR function. The material gathered during these interviews was used to supplement the material gathered through the literature search and research analysis. The needs and goals of these differing types of contracting professionals should have the greatest effect on the nature of any PMR system. Their opinions were invaluable in illustrating, through personal experience, the types of problems that need to be addressed.

D SCOPE, LIMITATIONS, AND ASSUMPTIONS

This study is limited to an examination of PMR within the Marine Corps Field Contracting System. The main thrust revolves around evaluating the Marine Corps' current PMR policies, practices and procedures in order to develop an underlying management philosophy and organizational structure that specifically addresses the Marine Corps' peculiar acquisition needs and structure.

To develop this philosophy, the study will include a description and discussion of the policies and procedures set forth by the Department of Defense (DOD) for the conduct of PMR, as well as analysis and discussion of the policies and procedures utilized by both the Navy and the Marine Corps in conducting PMR of their contracting activities. Additionally, the study will review some aspects of quality control as practiced in military and civilian organizations,

particularly where these aspects address improving the quality of management decision making, management control processes and process of management audit.

While the study may suggest general policies or propose alternatives to current practices or organizational structures, there will be no attempt to propose comprehensive solutions, or precisely quantify the fiscal and manpower costs and benefits associated with those suggestions.

The study will address PMR only within the Marine Corps Field Contracting System. No attempt will be made to evaluate PMR of the Marine Corps Research, Development, and Acquisition Command (MCRDAC), which handles all tactical systems procurement within the Marine Corps, nor the PMRs conducted on Marine Corps Air Stations, which are performed by the Navy.

For the purposes of this study, it is assumed that the reader is somewhat familiar with the procedures and terminology used in the Federal Government contracting environment.

E. DEFINITIONS AND ABBREVIATIONS

Within the literature, the terms "management review" and "management audit" are often used interchangeably. Although important distinctions may exist among these terms in some contexts, for the purposes of this study they are considered synonymous.

Abbreviations used in this study will be identified and defined when they first appear in the text, thereafter only the abbreviated version will be used.

F. ORGANIZATION OF THE STUDY

In order to understand the overall significance of PMR within DOD, a brief overview of the history and development of PMR within DOD and the Marine Corps is presented in Chapter II. Included is general information concerning present policies and procedures. This is followed by a detailed discussion of issues concerning philosophy and methodology currently being raised by field commands and headquarters staff personnel.

With Chapter II as background, Chapter III contains a full analysis of all facets of the issues as identified earlier. These issues are analyzed from the perspective of other DOD and civilian organizations as well as from the Marine Corps' point of view. The issues are examined both individually and in terms of their interdependent relationships. Shortcomings in current practices, and proposed alternatives to these practices will be included whenever possible.

Chapter IV presents the conclusions and recommendations of the researcher. Included are answers to the primary and subsidiary research questions, a summary of the findings, recommendations for Marine Corps acquisition managers, and recommendations for further research.

II. BACKGROUND

A. INTRODUCTION

The Marine Corps Field Contracting System is composed of 11 major activities with unlimited contracting authority, and 15 activities with limited purchase authority. These activities employed a total of 104 Marine Corps and 302 civilian personnel and spent an aggregate of \$557 million through a total of 392,495 actions in FY 1988.

DOD Directive 5126.34, Defense Procurement Management Review Program, directs that the Military Departments and Defense Logistics Agency (DLA) maintain PMR staffs at the headquarters level for the purpose of reviewing their purchasing and contract administration operations to assure their efficient and effective operation [Ref. 1:p. 3].

The PMR program came to exist because DOD recognized that, while the Office of the Secretary of Defense (OSD) had established uniform procurement policies for the Military Departments and DLA, there was no overall method for measuring the adequacy and effectiveness of procurement and contract administration operations and methods. There was a need for an organization that could professionally and objectively review the procurement and contract administration operations of the Military Departments, DLA, and other DOD

agencies and components and accomplish the following tasks

[Ref. 2:p. I-1-1]:

- * Identify operational and management problems.
- * Assist in solving these problems.
- * Recommend improvements to acquisition regulations, and statutes.
- * Suggest methods to eliminate problem areas.

In order to understand the importance of the PMR function, and how the Services, and in particular the Marine Corps, have responded, a brief overview of the history and development of PMR within DOD and the Marine Corps is presented in this chapter. Also included is an examination of current Marine Corps PMR policies and procedures. Finally, the chapter concentrates on a discussion of the various organizational and management issues related to the development and conduct of PMR within the Marine Corps.

B. HISTORICAL PERSPECTIVE

The Secretary of Defense established the Defense Procurement Management Review Program on July 30, 1962. The Program was an outgrowth of a 1961 study [Ref. 3:p. 5], which stemmed from congressional concerns over OSD's control over procurement policy implementation. The study showed that there was no uniform approach to procurement management within DOD, and that a lack of accurate and timely qualitative information made it difficult to evaluate how effectively the Military Departments were discharging their

procurement responsibilities [Ref. 4:p. 11]. The study recommended that OSD develop a procurement management review program to measure procurement effectiveness within DOD.

To execute the program, OSD, the Military Departments, and DLA were allocated approximately 70 personnel billets, and a charter to develop a standardized manual for the review of contracting organizations that could be used to ensure consistency in applying performance criteria and uniformity in inspection procedures. The program operated under the direction of the then Assistant Secretary of Defense (Installations and Logistics), and individual reviews were conducted by experienced procurement personnel assigned to the Military Departments and DLA. Major DOD procurement organizations, which then numbered about 68 activities, were to be reviewed on a two-year cycle, with other procurement activities being subject to random reviews.

In July 1966, DOD Directive 5126.34 was revised to expand the program to cover contract administration functions and provide for a three-year review cycle for major procurement organizations [Ref. 3:p. 2]. The Directive was again revised in August of 1977, when DLA was designated the DoD Executive Agent for the program. DLA's responsibilities included [Ref. 3:p. 2]:

- * Preparation of a semi-annual report on the results of procurement management reviews for the Under Secretary of Defense for Research and Engineering, now Under Secretary of Defense (Acquisition).

- * Planning and recommending joint reviews of those Defense agencies that had no review capabilities.
- * Maintaining and updating review standards.

Under this new directive, the Military Departments were responsible for organizing and conducting reviews with in-house personnel and assets located within their respective headquarters.

Following the revision of the implementing directive in 1977, emphasis on the PMR program began to decline. There were several factors that contributed to this decline. First, the loss of those personnel originally involved in its establishment allowed the program's perceived importance to become degraded at the OSD level. This problem was exacerbated by another of the reasons for the program's decline, the transfer of the program to DLA's purview. This transfer diminished the perception of top level DOD interest and significantly reduced the direction and policy-making ability that had existed when the program was administered by OSD. A third reason for program decline was the delegation of responsibility for program organization and conduct to the separate Military Departments. This significantly diluted its strength of purpose and direction, and subjected it to other Service budget and personnel priorities. This damage is readily apparent when one examines the effects of budget constraints in the late 1970's and early 1980's. These constraints caused significant headquarters staff reductions, that in many

cases led to the elimination of PMR-related billets, and directly affected DLA's and the Military Department's ability to continue providing an effective PMR function.

By 1980, all Services had ceased submitting semi-annual reports. The Office of the Under Secretary of Defense for Research and Engineering felt the reports did not contain information that was reliable or useful, and therefore, no longer required their submission. However, the program coordinator at DLA was not advised how to change the reports to make them more useful. As a result, the ability to use PMRs in developing and justifying policy changes or proposed legislation was lost.

A recent DOD Inspector General (IG) report [Ref. 3:p. 5] showed that the Military Departments and DLA are not always complying with the provisions of DOD Directive 5126.34 to perform and report on periodic procurement management reviews. Specific findings were [Ref. 3:p. 4]:

- * The Army, the Air Force, and DLA were not performing reviews within the prescribed two-three year cycle.
- * Semi-annual summary reports are no longer prepared by the Military Departments and DLA.
- * Joint reviews of Defense Agencies without their own PMR capability were not being performed.

A notable exception to this general trend towards ignoring the PMR programs requirements was the Department of the Navy (DON). According to the IG, the Navy has continued to conduct these reviews in a satisfactory fashion. Within

DON, the Naval Supply Systems Command has supplied and staffed its PMR organizations with sufficient resources to conduct the required reviews on a two-three year cycle.

The Marine Corps' entry into the world of procurement management review is relatively new. Because the original implementing instructions specified that reviews were required only of those activities with spending levels in excess of \$50 million per year, the Marine Corps felt no need to establish a PMR program, since most of its buying activities procured goods and services well below that dollar threshold. In the early years, only the Procurement Division at Headquarters Marine Corps was spending large enough sums on an annual basis to require a review. The Procurement Division was subject to review within the Navy's PMR system, by Navy inspectors. These reviews provided the Marine Corps with invaluable assistance in managing the procurement function within the Marine Corps as a whole. In 1971, the Navy's PMR of the Marine Corps' Procurement Division resulted in a reorganization of the Division and the implementation of the first step towards establishing a formal management control system over Marine Corps field activities, in the form of a Procurement Division Review Board [Ref. 5:p. III-1]. Throughout the 1970's and into the early 1980's the Marine Corps relied on the review board and periodic inspections called out by the Marine Corps' Inspector General, augmented by procurement personnel, to

provide the detailed information required for managing field contracting activities [Ref. 6:p. 4].

It was not until 1984 that the Marine Corps began to formally review their field contracting organizations utilizing the policies and procedures specified in DOD Directive 5126.34 and the "Manual for Review of Contracting and Contract Management Organizations." It was not until approximately this time that any of the field contracting organizations began to spend to the threshold specified in the original implementing instruction [Ref. 6:p. 4]. During the years from 1984 through 1989, the Marine Corps' Contracts Division conducted only eight reviews of its major field contracting organizations that possessed unlimited authority [Refs. 7:p. 70; 8:3]. PMR follow-ups have been even more sadly neglected; none were performed [Refs. 7:p. 70; 8:3]. Eight reviews, out of a possible 11 organizations over a six year period, was far outside the two-three year cycle specified by both Navy and DOD directives. Even more importantly, it is very possible that such infrequent inspections and follow-ups could have resulted in the failure to provide qualitative data and other pertinent information for top level managers to use in proposing improvements to overall procurement policies or in support of proposed legislation. This may have degraded or even negated the intended purpose of conducting the program during these years.

For the most part, these shortcomings were not the result of a lack of desire to conduct the PMR program properly [Ref. 6:p. 3]. The personnel in charge of the PMR function recognized the value of the reviews and attempted to perform them to the best of their ability. Even the Navy's PMR inspectors noted that those reviews that were conducted were excellently done and resulted in numerous positive recommendations. Unfortunately, the Contracts Division had what they considered to be much larger problems requiring more immediate attention than staffing and supporting a sufficient PMR program. Rapid budget growth and the delegation of unlimited procurement authority to lower-level procurement offices created far more urgent priorities during the late 1980's. The need for rapid implementation of constantly changing procurement policies, frequent calls for assistance from field organizations, and staffing limitations were stated as reasons for putting PMR on the back burner [Ref. 6:p. 3].

With the preceding information as historical background, the next section discusses the Marine Corps' current policies, procedures and organization for the conduct of its PMR function.

C. CURRENT POLICIES, PROCEDURES AND ORGANIZATION

According to SECNAVINST 4200.25C, and the Navy's Acquisition Procedures Supplement (NAPS), the PMR program is an important tool used by the Assistant Secretary of the

Navy (Shipbuilding and Logistics) to perform the following tasks [Ref. 9:p. 30]:

- * Evaluating the performance of the procurement system and certifying to the Secretary of the Navy that the procurement system meets established criteria.
- * Evaluating the training and career development of the procurement workforce.
- * Evaluating the effectiveness of competition initiatives.
- * Evaluating criteria for designation of contracting officers and their representatives.

As part of establishing PMR requirements, these implementing instructions establish a three-year cycle for the review of contracting activities with contracting authority greater than \$100,000. Responsibility for the conduct of the PMR function is assigned to a variety of levels throughout the Navy and the Marine Corps. In the case of field contracting activities, responsibility for PMR falls on the Head of the Contracting Activity (HCA).

To better understand the effects of these requirements on the Marine Corps, the following paragraphs present a brief description of the Marine Corps' acquisition system and the way it is organized for the conduct of the PMR program.

The Marine Corps currently acquires goods and services from the private sector through three primary organizations. These organizations and their separate acquisition responsibilities are listed below:

- * Marine Corps Research, Development and Acquisition Command (MCRDAC) with responsibility for the purchase of Fleet Marine Force (FMF) tactical systems.
- * Headquarters Marine Corps Contracts Division with responsibility for designated purchases and functional responsibility for field buying offices.
- * Field Contracting Offices with responsibility for purchasing goods and services for the major bases and other Marine Corps field activities.

The first two of these organizations derive their procurement authority from DON through HQMC. For this reason PMR responsibility for the first two of these contracting organizations belongs to the Navy. The Field Contracting activities derive their procurement authority from the Contracts Division at HQMC. Therefore PMR responsibility for these activities belongs to the Contracts Division of the Installations and Logistics Department of Headquarters Marine Corps (HQMC). The mission of this division as stated in the HQMC Organization Manual is [Ref. 10:p. 3-103]:

The director, under the direction of the DC/S I&L, is responsible for planning, coordinating, supervising, providing functional oversight, and ensuring compliance in all matters about contracting (except for Military Construction). To effect and supervise direct contracting for all types of material (except for weapon systems and equipment for the FMF) and services by HQMC, and provide functional management of field activities. To provide contract/acquisition advice and assistance to elements of Headquarters staff agencies and to establish contractual liaison with organizational elements of the Marine Corps, DON, DOD, and other Government agencies as necessary.

There are several key functions related to the conduct of the PMR function that are within the purview of the

Contracts Division. These functions are listed below and include [Ref. 10:p. 3-103]:

- * Marine Corps' primary representative and member on contract related boards and committees.
- * Focal point for compliance with SECNAV and higher order directives/initiatives.
- * Provide oversight and support for field contracting functions.
- * Provide contracting and acquisition advice for field and Headquarters contracting activities.
- * Manage and conduct the USMC PMR program.

Within the Contracts Division, direct responsibility for the organization and conduct of the PMR program has been delegated to the Field Contracting Support Branch. The mission of this branch as stated in the HQMC Organizational Manual is as follows [Ref. 10:p. 3-111]:

To assist the director by providing functional management of Field Contracting and Purchasing Activities, and to maintain procurement statistics for Marine Corps reporting purposes.

The primary functions performed by the Field Contracting Support Branch are listed below and include [Ref. 10:p. 3-111]:

- * Provides Marine Corps contracting representation on HQMC, DON, DOD, and other agency committees and study groups.
- * Review, analysis, interpretation and dissemination of policies, directives and any other information from higher levels which may affect field contracting and purchasing.
- * Sponsors the contracting Military Occupational Specialties (MOSSs).

- * Controls all classified correspondence and other documents for the division.
- * Supervises Marine Corps field purchasing and contracting activities with respect to contracting procedures and methods.
- * Reviews field contracting office submissions to include POM and T/O issues.
- * Publishes the Contracts Memorandum newsletter and plans/conducts the annual Contracting Officer's Seminar.
- * Prepares administrative reports and recommendations for bid protests.
- * Reviews proposed appointments of field contracting officers.
- * Reviews and makes recommendations on appropriate field contracting matters. Reviews and prepares Chief of Naval Information releases and field ratification documents.
- * Prepares cases and arranges for Government witnesses for field contracting activity cases before the Armed Services Board of Contract Appeals and the Navy Contract Adjustment Board.
- * Manages the Marine Corps Contract Management Review (CMR) function, and represents the division during IG inspections by providing the Procurement Inspector. Prepares division responses to Field Supply Maintenance Assistance Organization (FSMAO) and other inspection reports and recommendations on purchasing and contracting at various Marine Corps commands.
- * Conducts training courses, including small purchases procedures for activities of the Marine Corps Field Contracting System.
- * Acts as the functional manager of the Marine Corps Automated Contracting System (ACS).
- * Acts as the contracting action office for the Marine Corps Model Installation Program (MIP).
- * Collects and analyzes contractual information and statistics, and prepares reports for high-level review by maintaining the Division Reports Control System.

The current staffing levels and the organizational responsibilities of each member of the Field Contracting Support Branch are depicted in Figure 1.

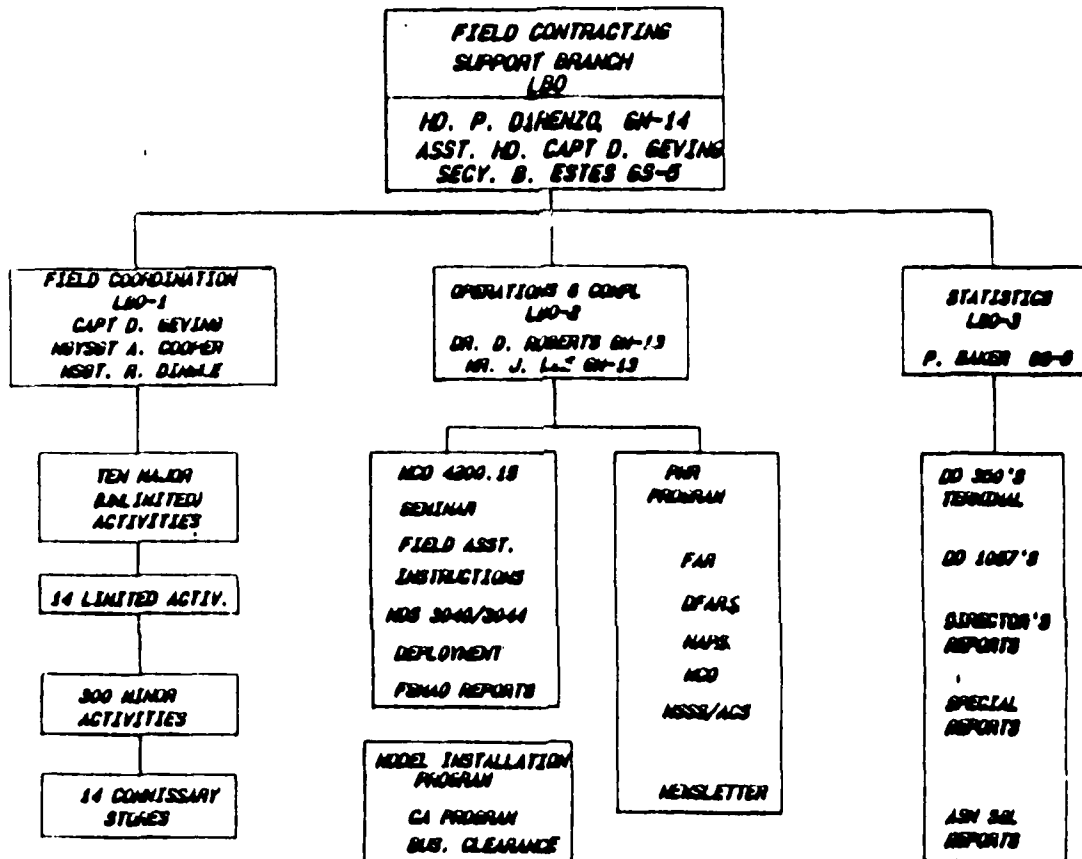


Figure 1. Field Contracting Support Branch Organization

From the list of responsibilities in Figure 1 it is clear that the Field Contracting Support Branch has significant responsibilities in addition to PMR duties.

From the chart it is also apparent that the duties to be performed are significant enough in number and importance to require a high quality staff. This becomes especially apparent when one considers the size and geographic locations of the field contracting organizations over which each section has cognizance. A comparison between the quantity and importance of the tasks assigned and the numbers and experience levels of the personnel available to perform these tasks, seems to indicate that there could be some shortfalls in mission accomplishment. This is in fact the opinion of the current head of the field contracting support branch. The day-to-day press of business is so hectic that the PMR program and associated management activities have been of secondary importance [Ref. 8:p. 4].

While the Marine Corps Field Contracting System is not significant in the number of procurement actions or personnel assigned, when compared to the total DOD system, it does represent a significant portion of the Marine Corps' total procurement funding and is certainly worthy of an effective degree of oversight. The importance of a comprehensive PMR program for the Marine Corps is heightened by the fact that there exists no other Marine Corps peculiar means for conducting procurement inspections, audits, or other oversight activities at Marine Corps field contracting activities. This is the result of a recent agreement between the Marine Corps IG and the Field Support Branch

[Ref. 8:p. 2]. As a result of this agreement, the IG will discontinue the practice of conducting a contract management review (CMR) inspection during their regularly scheduled IG inspections. The funds used to augment the IG team with procurement personnel for these inspections will be provided to the Field Contracting Support Branch. In return for the transfer of these funds, the Branch will incorporate these CMR duties into the PMR program. The intent of this agreement is to consolidate the inspection of procurement activities and to fund a higher level of PMR activity than is currently affordable. However, the net effect of this agreement in the near term has been to reduce the amount of overall oversight of procurement activities, particularly the smaller activities that have been low on the PMR priority list. Ultimately the Field Contracting Support Branch hopes that the additional funds will allow them to expand their current PMR schedule, thereby ultimately improving the overall quality of oversight Marine Corps wide.

The Marine Corps' PMR program, as currently conducted by the Field Contracting Support Branch, is performed in a somewhat ad hoc manner. There is no Marine Corps Order or Directive that outlines the responsibilities of the organization performing the inspections or of the organizations being inspected. However, according to the current director of the Field Contracting Support Branch, there are some key policies and procedures that the section is following in

attempting to implement a successful PMR program. These policies and procedures include the following [Ref. 8:p. 1].

1. Goals

The goals of the current PMR program are relatively general in nature. They consist primarily of inspecting the activities for adherence to the basics of procurement. The intent is to provide an outside source of technical assistance and advice that will help field personnel procure goods and services most efficiently and in compliance with current statutes and regulations.

A key secondary goal of the reviews is to highlight the importance of the procurement activity's success to the local command's mission performance. This is accomplished by a personal visit to the local commanding officer by the head inspector upon the arrival and departure of an inspection team.

No specific resources are to devoted to gathering data to support proposals for long-term changes to the current environment. There is currently no formal plan for providing education and training for the inspected procurement personnel either as a part of the review or its follow-up [Ref. 8:p. 1].

2. Management Philosophy

The current approach emphasizes that the inspection team is another set of eyes to aid the local contracting officer in detecting inefficiencies and errors in the

procurement process. The inspectors are not there to direct changes in established operating procedures. The inspectors attempt to take the peculiar local procurement environment into account during the inspection. Recommendations are written to suggest general solutions to procurement problems, but leave detailed implementation up to the local managers. Strong emphasis is placed on the fact that inspectors are there to help, not report on deficiencies [Ref. 8:p. 2].

3. Methodology

The PMRs are conducted in accordance with DLA's "Manual for Review of Contracting and Contract Administration Organizations." In accordance with this manual, reviews are conducted with the purpose of improving the overall purchasing and administrative efficiency and effectiveness of the organizations inspected. The current plan is to view the procurement organization in its entirety, including local peculiarities, and to emphasize the proper application of the basics of the procurement business, with a secondary emphasis on compliance with current statutes and regulations [Ref. 8:p. 2].

4. Frequency

The branch intends to conduct inspections of three activities with unlimited authority, and one inspection of limited authority activities per year. Formal follow-up visits will not be scheduled, but will be conducted on an

exception basis depending on PMR results and activity response to PMR team suggestions and findings [Ref. 8:p. 3].

5. Inspection Team Composition

Currently, inspection teams are composed of personnel from the Field Contracting Support Branch, with augmentation from other HQMC sections if the inspected activity is particularly large. Previously, inspection teams were augmented by personnel from other Marine Corps buying activities [Ref. 6:p. 3]. This practice has been discontinued, partially based on the recommendations of a 1987 Navy PMR of the HQMC Contracting Division [Ref. 10:p. 71]. The current plan is to utilize augmentees in the future under special circumstances. The primary purpose behind the use of augmentees during future inspections would be to obtain special expertise in either complicated technical fields or in specialized contracting applications [Ref. 8:p. 3].

6. Results

Under the current PMR system, procurement organizations are assigned a grade of either satisfactory or unsatisfactory following a review [Ref. 8:p. 3]. The basic difference between the effects of the two grades appears to be the degree of effort required by the procuring activity to follow up on PMR recommendations. Satisfactory inspections seem to allow a simple paperwork follow-up of inspection recommendations. An unsatisfactory grade

requires more detailed documentation of implementation of recommendations and is subject to the possibility of follow-up visits and purchase authority limitations/sanctions. In either case, the specifics of how to implement recommendations are primarily left up to the local command, with HQMC reserving the right to comment and disapprove specific actions [Ref. 8:p. 3].

D. ISSUES IN PMR PHILOSOPHY AND CONDUCT

Given the absence of formal guidance, or written policies and procedures within the Marine Corps' PMR program, there appears to be a significant opportunity to study and propose innovative and progressive policies that could improve the conduct and effectiveness of the program in the future. The following is a brief description of those areas that will be addressed in detail in Chapter III of this research effort.

1. Goals

There are a variety of widely different and sometimes conflicting goals available for any PMR program. Qualitative data for management decision-making, field feedback, compliance, technical assistance, training, improved efficiency, and program/funding justification, are all examples of the goals selected by other organizations. In the final analysis, the goals of the PMR program must depend to a great extent on the needs and structure of the Marine Corps Field Contracting System. The size,

composition, and resources available to contracting managers are prime determinants in the selection of appropriate goals for the PMR program. It also follows that these goals will have a great effect on the issues and choices available to acquisition managers when they determine other PMR program features.

2. Philosophy

The Marine Corps' field contracting organization is a small tightly-knit organization with limited assets, but with the mission of fulfilling a wide variety of contracting requirements in a variety of acquisition environments. This variety of contracting requirements indicates the need for a pro-active and progressive system of oversight and contract review. Such a system could provide significant benefits and support to field commands by helping them to maximize the effectiveness of the limited assets they are authorized. This would prove particularly important in what will apparently become a more and more dollar-constrained acquisition environment. Additionally, the greater the limitations on the assets, the greater the need for guidance and expertise from the headquarters level. Diminished assets will require improved efficiency at all levels. At the same time, the limited size of the field contracting organization lends itself to the easy development and acceptance of a single underlying philosophy for the implementation and conduct of the PMR function. Input and

feedback from all participants is easier to gather and implement than in the larger, more bureaucratic contracting organizations in other Services. Whatever management philosophy is chosen, it must be consistent with the avowed goals and the acquisition needs and structure of the Marine Corps Field Contracting System.

3. Organizational Structure and Staffing

Based in some degree on the goals and management philosophy chosen, the Marine Corps will have a wide choice of organizational options for administering the PMR program. However, there are important factors that must be considered in choosing an organizational structure and a professional PMR staff. The organization must be consistent with and capable of carrying out the selected goals and philosophy. In addition, factors like location, manning levels, experience and training requirements for staff, rank structure, funding requirements, and relations with subordinate and superior organizations will all play a critical role in the program's ultimate success or failure.

4. Methodology/Implementation

The methods of applying a new management philosophy and carrying out its policies play an important role in determining the ultimate results achieved by any program. The methods selected by the Marine Corps for implementing its PMR program must be consistent with the three previously discussed factors. All of these issues come together in the

implementation process in such a manner as to determine the effectiveness of the program. The policies and procedures used to conduct and report on PMRs will affect field contracting officers' attitudes and ultimately the ability of the system to effect positive changes in the acquisition process. Factors like grading systems, follow-up policies, frequency, and policy dissemination will all impact the program's usefulness and justification.

While the previous paragraphs by no means contain a complete outline of the issues affecting the establishment and maintenance of an effective PMR program, they do provide a basis for discussion, and may help in determining what direction the Marine Corps might take to improve its current PMR function.

E. SUMMARY

The development and implementation of some type of PMR program is mandated by DOD Directive 5126.34. However, the specifics of such a program are left up to the individual Services. In developing programs to meet the requirements of these directives each of the Services has taken a different approach. The Marine Corps is no exception to this rule. As was discussed in Chapter II, the Marine Corps has taken a somewhat less-structured approach than the other Services, for a variety of reasons. In order to improve the current program, the Marine Corps should consider adding some of the structure that has until now

been lacking. To do so requires the detailed examination of several issues that directly affect the quality and effectiveness of PMR in the Marine Corps.

The following chapter provides a detailed discussion of these issues with the goal of helping acquisition managers at HQMC develop an effective PMR program that is more closely tailored to the Marine Corps Field Contracting System's acquisition structure and needs.

III. DISCUSSION AND ANALYSIS

A. INTRODUCTION

The previous chapter presented background information describing the conduct of PMR within the Services in general, and the Marine Corps in particular. Included was both an historical perspective and a description of current practices. Based on this information the factors and issues considered most vital to the establishment and conduct of an effective PMR function within the Marine Corps were identified and briefly outlined.

This chapter will discuss and analyze each of these factors and issues, develop a research consensus or ideal position on each, and compare this consensus with Headquarters Marine Corps' (HQMC) stated policy, and what contracting personnel in the field perceive as HQMC's policy.

The research consensus for each issue will be developed by incorporating those elements of policy considered most important to the development of an effective and progressive PMR program as determined by three sources: literature, previous research, and contracting professionals. HQMC's current policy will be developed from what written guidance is available and the researcher's interviews with the current heads of the Contracts Division and the Field

Contracting Support Branch at HQMC. Field personnel's perceptions will be developed from the responses concerning each issue provided the researcher during telephonic and personnel interviews with field contracting personnel. This methodology should provide a discussion and analysis that is both comprehensive and at the same time tailored to the realities and environment that currently exist at HQMC and within the Marine Corps Field Contracting System.

Through use of comparisons, the researcher will highlight the differences between the research consensus, current policy and the field's perception of current policies. By analyzing these differences, acquisition managers at HQMC can develop and examine possible alternatives to current practices in acting to improve the effectiveness of the PMR function within the Marine Corps Field Contracting System.

B. GOALS

The key to success of any program or management effort often lies with the development of clear goals or purposes. From this initial step flows the necessary intermediate actions and implementing steps required to fully carry out the intent of the program. The following paragraphs contain a discussion of various goals and purposes attributed to the PMR program and similar programs based on literature review, previous research efforts, and interviews with procurement professionals.

1. Literature

The basic goal of the PMR program as it exists today is stated and amplified in a variety of directives and implementing instructions.

DOD Directive 5126.34 states that the goal of the PMR program is for DOD organizations to [Ref. 1:p. 1]:

...periodically review the operations of their procurement organizations, including the procedures, policies, directives, and methods used to measure and improve efficiency and effectiveness.

Key responsibilities of program agents related to the goals behind PMR efforts include [Ref. 1:p. 2]:

- * Reviews must effectively measure and evaluate procurement management and performance.
- * Design reviews to improve the procurement management aspects of an activity, or to increase the effectiveness and efficiency of a particular function in the procurement process.

Within the Navy this guidance has been further amplified by the Navy Acquisition Procedures Supplement (NAPS) which sets forth the objectives of the PMR program as follows [Ref. 9:p. 30]:

The objective of the program is to improve the quality, efficiency and effectiveness of the Contract Management process for both contracting and contract administration functions. Procurement management reviews shall be used both to ensure individual activity compliance with established criteria and to improve policies and procedures. The PMR program is utilized to assist the ASN(S&L) in his role as the Navy's Senior Procurement Executive by performing such tasks as:

- (1) Evaluating the performance of the procurement system and certifying to the SECNAV that the procurement system meets established criteria;
- (2) Evaluating the training and career development of the procurement workforce;

(3) Evaluating the effectiveness of competition initiatives;

(4) Evaluating criteria for designation of contracting officers and their representatives.

The interim DOD Manual for the Defense Acquisition Management Review Program will be used as the guideline for the conduct of reviews.

The manual referred to in the above passage is published under the auspices of the Executive Agent for the PMR program, DLA, and is currently titled as the "Manual for Review of Contracting and Contract Management Organizations." It defines the mission of the PMR program as follows [Ref. 2:p. I-1-1]:

The program is essentially a program providing a management consultant service to all procurement and contract management organizations within DOD. Compliance reporting is not its objective....The primary emphasis is on reviews aimed at improvement of mission performance system-wide as well as at individual elements through recognition of and assistance in the cure of basic problems.

The Naval Audit Service, another Navy agency charged oversight responsibility for a variety of Navy activities, defines performance auditing as "a process that seeks to improve future performance by focusing on management's policies, planning, control systems and decision-making processes." Its objectives are:

To determine if such systems, processes and decisions exist, are implemented and are complied with;

To evaluate the quality and degree to which the management policies, systems, and decisions contribute individually and collectively to the achievement of effectiveness, efficiency, and economy of the Navy.

Within the literature concerning operational/management auditing in the civilian sector, there are

numerous references to the goals and purposes of such audits. The essence of these may be best summed up by the following passages:

Stated simply, the principal objective of Operational Auditing is to determine whether an organization can operate in a more cost effective manner [Ref. 11:p. 1];

Operational auditing examines the relationships between the resource inputs of a public sector program and the program's resulting product or service outputs. More specifically, operational auditing focuses on the economy and efficiency with which resources are acquired, managed, and utilized in the public sector [Ref. 12:p. 285].

With the views of literary sources in mind, the next section examines the goals and purpose of PMR as perceived by recent research efforts and studies.

2. Research and Studies

There are few recent studies that relate directly to PMR and its goals or purposes. However, the researcher was able to find two that contained some reference to this issue. The Procurement Management Review Program in the Department of Defense: Factors Leading to its Decline, a 1980 thesis conducted at the Florida Institute of Technology, outlines the goal of the PMR program as [Ref. 13:p. 14]:

...to provide a uniform qualitative assessment of the Military Departments procurement organizations, including procedures, policies, directives and methods used to measure and improve efficiency and effectiveness."

This view is supported by the 1987 DOD IG report on the DOD Procurement Management Review Program. In this report the IG states that the primary goal of PMR is to [Ref. 3:p. 2]:

...provide useful and reliable information on the efficiency and effectiveness of the DOD procurement system to senior DOD managers.

Additionally, the report goes on to state [Ref. 3:p. 4]:

The Military Departments and DLA need an effective program for monitoring, evaluating, documenting, and improving the quality of the procurement system's performance to comply with Executive Order 12352, "Federal Procurement Reforms," March 17, 1982.

The following section examines the views of professionals in the procurement field concerning the goals of PMR.

3. Interviews with Procurement Professionals

Through a series of personal and telephonic interviews with Marine Corps and Navy procurement professionals at both the headquarters and field levels, a series of questions were asked concerning PMR in general, and the current Marine Corps PMR program in particular. The entire list of questions is contained in Appendix B. The particular questions concerning the issue of PMR goals were:

- * What do you feel is the primary purpose of PMR?
- * Should there be some other purpose for PMR?

From the individual responses to these questions the researcher developed a generalized view of the issue for each of the categories of interviewees. These generalized views are presented in the following subsections.

a. Headquarters Personnel

When asked about the primary purpose of PMR, headquarters personnel felt that the primary goal of current efforts was to allow headquarters to examine the efficiency and effectiveness with which field activities were performing procurement functions. Interviewees felt that this examination should include not only the performance of specific contract actions, but also the overall system in place for managing and controlling the procurement of goods and services.

Headquarters personnel felt that hand-in-hand with this goal went the intention of providing training and technical assistance to the field in resolving identified management and contracting deficiencies at the field level. Primary emphasis appeared to be on performing a quality control inspection of the execution and management of procurement actions by the activity.

When asked about other goals for PMR, headquarters personnel almost universally attributed a secondary goal of statutory and regulatory compliance to the inspection system.

b. Field Personnel

Field personnel interviewed agreed with interviewees at headquarters that the primary goal of PMR should be to determine how effective and efficient field activities are at performing procurement functions. An

important corollary to this determination for field personnel involved providing training, technical assistance and policy standards to help field activities rectify any deficiencies. However, from the field personnel's viewpoint these deficiencies tend to be identified at the micro or field level, rather than being attributed to headquarters mandated policies, system influences, or environmental conditions.

Field personnel felt that PMR should also provide top level managers with qualitative information on the performance of individual activities and the expertise of the personnel at those activities. When asked about other goals for PMR, field personnel provided a variety of responses, none of which included compliance. Many felt that PMR should reveal when external factors, outside the strictly procurement environment were adversely influencing a procurement activity. Others felt that PMR should provide a vehicle for the training of personnel, either formally as part of the inspection, or informally in the form of exchange of ideas between experienced professionals.

Not surprisingly, there were significant differences between the views held by headquarters personnel and those held by personnel in the field. However, these differences centered more on how the program was currently being conducted than on what the ideal purpose or goals should be.

4. Research Consensus

From the previous paragraphs the researcher has extracted what the sources seem to indicate are the key elements of an ideal set of PMR goals. There is a great deal of duplication among the various sources, however the statements below provide a representative consensus of the goals cited by these sources:

- * Compliance with existing directives. Meet the requirements for the existence of such programs to comply with Executive Order 12352, Federal Procurement Reforms and DOD Directive 5126.34 [Ref. 9:p. 30].
- * Quality control of basic procurement functions. Determine the efficiency and effectiveness of the activity in meeting its mission of procuring goods and services and provide qualitative information for improving mission performance as necessary [Ref. 1:p. 2].
- * Quality control of management functions. Determine the quality, efficiency, and effectiveness of the management and control systems in place at the activity and provide qualitative information for improving those systems as necessary [Ref. 9:p. 30].
- * Regulatory compliance. Determine compliance with applicable regulations and provide qualitative information for improving and reforming those regulations as necessary [Ref. 9:p. 30].
- * Training of personnel. Evaluate the training and career development of the procurement workforce and provide qualitative information about and actual assistance in improving the training of procurement personnel [Ref. 9:p. 30].
- * Technical assistance. Provide a management consulting service to identify and suggest solutions to basic problems both at the activity and system levels [Ref. 2:p. I-1-1].
- * Customer service. Examines the relationships between the resource inputs of a public sector program and the program's resulting product or service outputs [Ref. 12:p. 285].

- * External influences. Determine the presence and effects of external influences on the efficiency and effectiveness of the procurement operation and provide guidance and if necessary, direction to eliminate negative influences (Interviews).

With these ideas providing the basis for a research consensus on the goals of a PMR program, a comparison between the research consensus, HQMC's current goals and the field's perception of current goals highlights the differences between the ideal, current goals and the perception of current goals in the field.

5. Comparison and Analysis

A comparison of the goals developed in the research consensus and those currently being sought by the present PMR program is difficult, due in large part to the absence of any written directives or policy statements that explicitly define the Marine Corps' current PMR goals. However, by utilizing those general goals outlined during interviews with the current directors of the Contracts Division and the Field Contracting Support Branch, which were presented at the end of Chapter II, the researcher was able to effect a comparison. This comparison appears as Table 1.

A comparison of goals as depicted in the first two columns of Table 1 highlights the differences between the research consensus and the stated goals of the Marine Corps. While these differences do not appear to be significant enough to threaten the basic effectiveness of the current PMR program, they do represent some important aspects of the

TABLE 1

GOAL COMPARISON

<u>Research Consensus Goals</u>	<u>HQMC</u>	<u>Perceived</u>
Compliance with Higher Level Directives	XX	XX
Quality Control of Basic Procurement Functions	XX	XX
Quality Control of Management Functions	XX	
Compliance with Existing Policies and Regulations	XX	XX
Customer Service		
Training of Personnel		
Technical Assistance	XX	XX
External Influences		

PMR program's basic purpose. It is also interesting to note that some of the consensus goals not addressed under current Marine Corps policy were mentioned during an interview with the current director of the Field Contracting Support Branch as goals he would like to pursue, but was unable to do so, primarily due to resource constraints. Based on this information, acquisition managers at HQMC might consider the implementation of some formal policies or procedures related to the elements where columns 1 and 2 differ.

Another comparison of interest involves comparing the research consensus goals to HQMC's current goals as they are perceived by the field personnel currently being

reviewed under the present PMR program. This comparison is depicted by columns 2 and 3, and reflects the differences between the Marine Corps stated goals and what field personnel perceive as the PMR program's goals as applied during reviews. For Marine Corps procurement managers, this comparison may be the most meaningful. Taken at face value, it seems to indicate a wide disparity between the Marine Corps' stated goals and what are perceived in the field as the goals of its current PMR program. Even allowing for the inevitable "nobody likes inspections" type of attitude, this disparity indicates that field personnel perceive the current goals of the PMR program as being different than what HQMC intends.

The differences between what field personnel perceive and the goals outlined by the research consensus are even greater and are reflected in columns 1 and 3. These differences are significant, since the poor perception of HQMC's goals could be attributed to the lack of any written guidance concerning the PMR program's current goals. However, the wide disparity between field perceptions and the research consensus indicates the degree of dissatisfaction and interest that the field has in this area. On the whole, this indicates that the field feels there is a need for HQMC to clarify current goals and develop additional goals to ensure effective PMR implementation and acceptance by personnel in the field.

From the preceding discussion it appears that the development of a more responsive and effective PMR program for the Marine Corps Field Contracting System should involve detailed attention to the issues of goals, and their congruence with the requirements of higher headquarters and the needs of the activities being reviewed. Through close examination of the differences highlighted by the comparisons in Table 1, acquisition managers at HQMC can develop alternatives to current goals that more closely parallel those considered ideal by those sources utilized to develop the research consensus.

C. MANAGEMENT PHILOSOPHY

To meet the goals set forth in the previous section, the Marine Corps must employ an appropriate management philosophy. The adoption of the proper philosophy will increase the chances of acceptance of these goals and the management actions taken to achieve them. To achieve acceptance, it is vital that the philosophy adopted be consistent with the current management philosophy being applied in the Field Contracting System as a whole. This extension of philosophy from the organization as a whole to the PMR program cannot be overemphasized and is vital to the development of this issue.

The relationship between PMR and management philosophy basically revolves around two concepts in management theory.

These two concepts are "decentralization" and "control."

Decentralization is defined as [Ref. 15:p. 689]:

The delegation of power and authority from higher to lower levels of the organization, often accomplished by the creation of small, self contained organizational units.

Control is defined as [Ref. 14:p. 688]:

The process of monitoring organizational activities to see that they conform to planned activities and correcting flaws or deviations.

One of the basic reasons behind the establishment of the PMR program in 1962 was the degree of decentralization that had developed in DOD's procurement system. DOD management recognized that, while OSD had established uniform procurement policies for the Military Departments and DLA, there had been no overall effort aimed at measuring the adequacy and effectiveness of procurement and contract administration operations and methods [Ref. 2:p. I-1-1]. In essence, PMR was chartered to provide a system for the control of procurement operations in DOD.

These same factors apply today to the PMR program in the Marine Corps. Within the Marine Corps Field Contracting System, the Marine Corps has encouraged and allowed a large degree of decentralization. According to the head of its Field Coordination Section, the Field Contracting Support Branch has attempted to follow a policy of not directing specific actions by field personnel [Ref. 15:p. 2]. They prefer to offer advice, but leave decisions up to managers

on site, whose experience and appreciation for their own environment should produce a better procurement decision [Ref. 8:p. 2]. To support this decentralization effectively, a progressive and pro-active PMR program is a necessity. The following sections discuss the development of a management philosophy to support such a program, and how the Marine Corps' current philosophy is faring in attempting to provide the basis for an effective PMR program.

1. Literature

The underlying philosophy of PMR is not definitively spelled out in the numerous directives and implementing instructions related to PMR. As was stated previously, DOD established the program and left the specifics of design and implementation to the various Services. An examination of the Navy instructions on PMR shows that two key terms appear most often. These terms are "improvement" and "compliance." The NAPS summarizes this attitude as follows [Ref. 9:p. 30]:

Procurement management reviews shall be used to both ensure individual activity compliance with established criteria and to improve policies and procedures.

Unfortunately, because of the natural tendency to seek justifiable and quantifiable results, and the frequently adversarial relationship that exists between staff and field organizations, compliance aspects seem to be emphasized most often. Until very recently the Navy's PMR program was extensively compliance oriented with grades being assigned

strictly on the basis of compliance with directives and regulations [Ref. 16:p. 1].

The Executive Agent for PMR has attempted to buffer this tendency towards compliance by specifying the use of a standardized approach to reviews. DLA's "Manual for Review of Contracting and Contract Management Organizations" outlines the basics of conducting inspections. The philosophy underlying the performance of reviews is succinctly expressed in the following passages from this manual [Ref. 12:p. I-1-1]:

The need was for an organization that could... recognize the basic problems in operations and management; and provide information and professional assistance in resolving problems at all levels of procurement management;

The program as initiated, is essentially a program providing a management consulting service to all procurement and contract management organizations within DOD. Compliance reporting is not its objective.

From the above passages, it is apparent that the standard military inspection philosophy is not sufficient for the conduct of a PMR program. This point is recognized by civilian auditors as well. In Operational Auditing for Management Control, Theodore Jackson supports this idea with a discussion of the various attitudes that result from an auditing situation. His basic conclusion is that auditors and audit programs must expend extensive resources convincing managers of their good intentions in order for an audit program to maximize its potential [Ref. 17:p. 65].

With these points in mind the following section examines research efforts.

2. Research and Studies

The available research efforts concerning PMR did not address the issue of philosophy either directly or indirectly except to reiterate some of the information already described above in manuals and directives.

3. Interviews with Procurement Professionals

As previously stated, the researcher asked Marine Corps and Navy procurement professionals at both the headquarters and field levels a series of questions concerning PMR in general, and the current Marine Corps PMR program in particular. The particular questions concerning the issue of management philosophy were:

- * What management approach do you feel is most likely to fulfill the purpose of PMR?
- * Do you feel the current system utilizes this approach to achieve the desired purpose?
- * If not, how would you change the current approach to better fulfill the desired purpose?

In terms of Marine Corps peculiar data the interviews conducted with procurement professionals provided the richest source of information concerning alternative philosophies. Interestingly enough, once again there were no great differences between staff and field personnel on what management philosophy should be applied. However, just as with the previous issue, there was a great deal of

difference in the two groups' perceptions of what was currently being applied during the conduct of reviews.

a. Headquarters Personnel

The majority of the personnel interviewed from headquarters felt very definitely that an inspection checklist type of philosophy concentrating on compliance was not the approach that they desired. For the most part, they agreed that the reviews should concentrate on the entire organizational structure, and allow for the maximum feedback from field personnel during the inspection. There was a real sense that the headquarters wanted to avoid the "we" and "they" syndrome that characterizes most periodic inspection systems. The director of the Field Contracting Support Branch indicated that he desired a "field assistance visit" atmosphere, where the emphasis was on identifying and solving problems, rather than on reporting them [Ref. 8:p. 2]. With this in mind, HQMC recently eliminated several tiers of the grading structure, reducing it from five tiers to only two, with only "satisfactory" and "unsatisfactory" grades being given.

For the most part those interviewed felt that the current philosophy did a credible job of supporting the current goals of the PMR program. They did not feel there existed any large scale conflict between their goals and the philosophical approach they had taken.

b. Field Personnel

The views of field personnel were by no means monolithic. However, there were some areas where a consensus can be drawn from the interviews. One of these was an almost universal feeling that PMRs should not concentrate on compliance reporting. It was felt that the preoccupation with identifying and reporting deficiencies using a checklist interfered with the real purpose of determining the root causes of deficiencies and providing concrete solutions to systemic problems. Another closely related idea was that PMRs needed to concentrate on the organization as a whole, including the local procurement environment, command structure, and the reality of having to serve a local commander while answering to a separate functional organization at HQMC. Related to this idea was the frequently expressed view that PMR is a form of feedback, and that for it to be an effective form of feedback, the views and opinions of the on scene participants needed to be valued more highly.

A less widely held, but interesting view concerned the elimination of any type of grading system related to PMR. Some felt that grades only increased hostility and did not provide any real benefits.

Overall, the views of field personnel seemed to represent something of a Total Quality Management (TQM) type of philosophy, where the focus is on identifying system and

upper level management causes for deficiency, rather than concentrating on simply reporting errors made through ignorance or poor training.

In summary, personnel in the field felt that there was conflict between what they felt should be the underlying philosophy of the PMR program and the philosophy currently being applied in the field. For the most part, this conflict seemed to center around the issues of compliance, grading systems, and feedback.

4. Research Consensus

From the previous paragraphs the researcher has extracted what the various sources seem to indicate are the desired elements of a management philosophy for PMR. There is some duplication among the various sources, however, the statements below provide a representative consensus of the desirable elements cited by the sources:

- * Not a compliance check.
- * Supports decentralization.
- * View of the entire organization.
- * Concentration on improving/correcting deficiencies vice reporting of them.
- * Emphasis on a consultative/technical assistance approach.
- * Maximize opportunity for feedback, with emphasis on participative rather than directive management.
- * Utilization of a TQM philosophy, that emphasizes identification of system caused problems and the elimination of them with help from the top down when necessary.

- * The questionable value of grading organizations using publicized grades and reports.

With these ideas providing the basis for a research consensus on a management philosophy for a PMR program, a comparison between the research consensus, HQMC's current philosophy, and the field's perception of current philosophy highlights the differences between the ideal, current philosophy, and the perception of current philosophy in the field.

5. Comparison and Analysis

Just as in the case of goals, a comparison between the research consensus developed above and the management philosophy currently being applied under the present PMR program is difficult, due in large part to the absence of any written directives or policy statements that define that philosophy explicitly. However, by utilizing the comments concerning philosophy and management approach made during interviews with the current directors of the Contracts Division and the Field Contracting Support Branch, as outlined at the end of Chapter II, the researcher has constructed a table to effect a comparison between key elements of our research consensus, the Marine Corps' current stated philosophy, and the perceptions of personnel in the field. These comparisons appear in Table 2.

From a comparison of the first two columns of Table 2, it appears that there are some differences between the desired elements of philosophy as outlined in our research

TABLE 2

MANAGEMENT PHILOSOPHY COMPARISON

<u>Research Consensus Philosophy</u>	<u>HQMC</u>	<u>Perceived</u>
Not a compliance check	XX	
Supports decentralization	XX	XX
View of the entire organization	XX	XX
Concentration on improving/ correcting deficiencies vice reporting of them	XX	
Emphasis on a consultative/ technical assistance approach	XX	XX
Maximize feedback, participative rather than directive	XX	
Utilization of a TQM philosophy		
Questionable value of grading organizations		

consensus and the philosophy currently sought by HQMC. However, these differences are not as large as they might be under the circumstances. The two differences noted, utilization of a TQM type philosophy and the questionable value of grades, were both derived from the interviews of field personnel, and may be in some way related. Both seem to indicate a feeling that the failures of field level personnel are highlighted by the inspection process, while upper level management's responsibilities vis-a-vis some of these failures are ignored. This connection may seem tenuous, however this attitude was reflected in many of the

interviews. This issue may become clearer after we view a second comparison.

A second comparison of interest involves comparing the HQMC's stated philosophy to the philosophy perceived by field personnel as being employed during reviews. This comparison is depicted in columns 2 and 3. From this comparison, it is evident that there are significant differences between HQMC's stated philosophy and the perception of that philosophy held by field personnel.

An even greater disparity is evident when the perceptions of field personnel concerning the present philosophy are compared with the elements of philosophy represented by the research consensus. This comparison is outlined by columns 1 and 3.

From the interviews and the comparisons in Table 2, it appears that there is little perception of the current philosophy as being progressive or pro-active. According to the interviews, field personnel feel that a compliance-oriented checklist philosophy is being used. Much of this attitude seems to center around the issues of reporting, grading, acceptance and use of feedback, and the degree of consideration given to the effects of external and system influences on the procurement activity's ability to conduct its affairs. Additionally, it appears that field organizations feel that headquarters personnel do desire to render technical assistance, and do not desire to usurp the

authority of the field activity through the inspection process. However, there is a sense that reporting of deficiencies is overemphasized and that the willingness of headquarters to be a full partner in the identification and correction of the root causes of deficiencies, at whatever level they are found, is not there. Related to this sense is the perception by field personnel that inspectors have an interest in justifying reviews with written proof of deficiencies, vice admitting that some deficiencies cannot realistically be corrected at the field level, given the resources present in the field.

From the preceding discussion, it is evident the Marine Corps' PMR program could benefit from further discussion and analysis of this issue. Despite the best intentions and efforts on the part of the Field Contracting Support Branch, field organizations are not convinced of the good intentions and efficacy of the current philosophy for the conduct of PMR. Given the degree of decentralization the Marine Corps desires and the goals that we intend to fulfill, it is imperative that the PMR program enjoy the full support and approval of the field activities. To achieve this level of support, the program needs a progressive and pro-active philosophy with elements like those contained in the research consensus developed in this section. To improve the current program, acquisition managers at HQMC should consider the philosophical

shortcomings highlighted in the preceding comparisons with an eye towards addressing those areas most likely to affect the long term control needs of the Marine Corps Field Contracting System.

D. ORGANIZATIONAL STRUCTURE AND STAFFING

In choosing an organizational structure and staff for its PMR organization, the Marine Corps must keep several factors in mind. First, whatever choices are made, they must be consistent with the Marine Corps overall acquisition strategy and structure. Second, they must be consistent with the goals and philosophy chosen for the PMR program. Finally, they must be capable of implementing those goals and philosophy effectively. In the final analysis, it is these factors that should determine the structure of the Marine Corps' PMR organization.

Organizational structure is the arrangement and interrelationship of the component parts of an organization [Ref. 14:p. 243]. Central to this definition is the concept of organizing. Organizing can be defined as "The process of making the organization's structure fit with its objectives, resources, and environment." [Ref. 14:p. 243]

For the Marine Corps, some of the key factors affecting the development of an organizational structure and the staff to support it are dependent on much larger considerations than the effectiveness of the PMR program. One of these factors is the commitment to a decentralized organization

within the Marine Corps Field Contracting System. Given the numbers of, and geographic distances between field contracting activities, decentralization is in the best interests of the Marine Corps. Another of these factors is the existence of both a local and a functional chain of command for the field contracting activities. While this dichotomy of authority sometimes causes problems for managers at both the field and headquarters levels, it is endemic throughout the Marine Corps, and is necessitated by the commitment to decentralization and the impracticality of maintaining functional staffs at all locations.

With these limiting factors in mind, the following paragraphs discuss the Marine Corps PMR program's current organizational structure, PMR program staffing policy and the development of alternatives to better fulfill the goals and objectives of this program.

1. Literature

Within the directives and instructions related to the conduct of PMR there are numerous references to the organizational levels at which PMR staffs should be located. According to DOD Directive 5126.34 the Heads of DOD components shall [Ref. 1:p. 2]:

Maintain Procurement Management Review staffs, normally composed of personnel permanently assigned to the Headquarters staff, who have extensive prior experience and proven skills in procurement operations as defined in this Directive. The use of ad hoc or other manpower arrangements to conduct the program and support the timely feedback of data is acceptable.

This view of organizational structure is supported in "The Manual for Review of Contracting and Contract Management Organizations," which states [Ref. 2:p. I-1-1]:

The requirement that the review staffs be established at the headquarters level is the result of recommendations that the program be responsive to the needs of the Assistant Secretaries responsible for procurement for the Military Departments; the Director, DLA,; and the Under Secretary of Defense (USD(A)). Establishment at an organizational level where it will provide objective and unbiased reports directly to these officials is a basic essential of the program. It is only through a program at this level that the adequacy and effectiveness of total DOD procurement management can be assessed.

From the tone of the above, the primary concerns addressed by mandating the establishment of PMR staffs at the headquarters level appear to be program responsiveness, a system wide view of program objectives, and the need for experienced quality personnel.

The Marine Corps has no current directive that specifically outlines the underlying strategy behind the organizational structure and staffing of its PMR program. However, "Marine Corps Order 5400.45, Headquarters Marine Corps Organization Manual" does outline the mission of the Contracts Division as follows [Ref. 10:p. 3-103]:

The director, under the direction of the DC/S I&L is responsible for planning , coordinating, supervising, providing functional oversight, and ensuring compliance in all matters about contracting....

In addition, the Field Contracting Support Branch, which has cognizance over PMR, has the mission [Ref. 10:p. 3-111]:

To assist the director by providing functional management of Field Contracting and Purchasing Activities....

From this it is apparent that the Marine Corps intends for its PMR function to be located at the headquarters level, and to be staffed by personnel consistent with that level.

The following paragraphs contain a discussion of organizational structure as outlined in recent research efforts.

2. Research and Studies

The researcher was able to find only one previous research effort that addressed the issue of organizational structure and staffing related to the conduct of PMR.

This study, The Procurement Management Review Program in the Department of Defense: Factors Leading to its Decline, outlined the following conclusions related to organizational structure and a perceived decline in PMR program effectiveness:

- * PMR staffs are often found at inappropriate levels. The lower in the organizational structure, the more likely is the filtering out of adverse comments. No organizational link exists to the policy-making elements of any Service, except the Air Force.
- * Staffing has not been maintained as required.

From the above, it is apparent that this study supports the idea that PMR staffs belong high up in the organizational structure, and should have some link to policy-making bodies within the Service. Additionally, it appears that the study also supports the position that the quality and sufficiency of PMR staffs must be maintained to prevent decline in program effectiveness.

The following section discusses the issue of organizational structure and staffing as viewed by procurement professionals.

3. Interviews with Procurement Professionals

As was previously stated, the researcher asked Marine Corps and Navy procurement professionals at both the headquarters and field levels a series of questions concerning PMR in general, and the current Marine Corps' PMR program in particular. The particular questions asked concerning the issue of organizational structure and staffing were:

- * What are the typical rank and experience levels of PMR inspection teams?
- * Are the current ranks, experience mix, and number of inspectors sufficient to perform the tasks required?
- * What changes would you suggest to improve the process?

From the responses, the researcher has developed a generalized view on the issue of organizational structure and staffing for each group of interviewees.

a. Headquarters Personnel

Personnel at the headquarters level responded to the questions with a large degree of consistency. All agreed that a typical team consisted of a GM-14 team leader, a USMC O-3 assistant team leader, two or three GM-13 inspectors and a USMC E-8 or E-9 small purchases expert. The majority of those interviewed felt that these personnel possessed sufficient grade and experience to perform most of

the tasks required. There were some indications that the numbers of personnel assigned to the Field Contracting Support Branch were not sufficient to perform the required number of reviews in a timely manner, particularly in light of the other duties assigned to this branch.

There was some feeling that the rank and experience of the personnel assigned to the Field Contracting Support Branch were not optimal to fulfill the ultimate goal of PMR, that of improving the overall management of procurement throughout the Field Contracting System. Those interviewed felt that the assignment of more senior and especially more experienced personnel would add significantly to the perceived expert power of the inspection teams. Those interviewed also indicated that the inspection teams could be improved significantly by utilizing more technically expert personnel. The inclusion of specialists in various contracting areas based on the individual contracting needs of the activity being inspected was cited frequently as a desirable feature in inspection team makeup.

As far as organizational structure was concerned, there was no indication of a need to change the location or level of the current PMR structure. Most of those interviewed felt that the current organization was appropriately placed to conduct reviews and to influence policy makers as necessary. Two suggestions to change structure were made, one to return PMR authority to the OSD

level, the other to request that the Navy take over PMR for the Field Contracting System. However, there was little general support for these suggestions.

b. Field Personnel

Curiously enough, the field personnel interviewed basically echoed the sentiments of those at headquarters. Most of those interviewed felt that the current review teams were basically competent. However, there was significant feeling that the lack of field contracting experience impaired field personnel's perception of the inspectors' impartiality. Additionally, the field personnel felt that inspectors lacked experience in certain contracting fields, e.g., services, and automated data processing. Field personnel suggested that using greater numbers of field personnel on an ad hoc basis to augment inspection teams would help address both of the deficiencies outlined above. There was additional support for this on the basis that the cross pollination effect of working with fellow field professionals offered an excellent opportunity for improving the personal expertise of all contracting personnel and thereby the entire procurement process.

Comments concerning organizational structure, other than staffing, centered around the issue of a dual chain of command. Those interviewed seemed to feel that the PMR organization was appropriately placed within HQMC, and that its policy making capabilities were sufficient.

However, there was significant sentiment among field personnel that HQMC did not fully appreciate the difficulties inherent in serving both the installation commander and the functional manager at HQMC. Those who felt this way were unable to suggest any concrete organizational solutions, but felt that this was a sensitive area and should be considered during the inspection process.

4. Research Consensus

From the previous paragraphs the researcher has compiled a list of what the sources indicate are the key factors and concerns affecting the issue of organizational structure and staffing requirements. These factors and concerns are listed below:

- * Established at a high level to provide responsiveness to OSD and to enable effective policy making activity.
- * Staffed by permanent personnel with extensive field experience in procurement.
- * Use of augmentees with special qualifications to improve effectiveness of reviews.
- * Need to tailor inspection team makeup by using technical experts as required.
- * Need exists to recognize the dual command structure present when using a functional management organization.
- * Need to maintain sufficient numbers of personnel to perform and report on reviews in a timely manner.

With the above providing the basis for a research consensus on the issue of organizational structure and staffing, a series of comparisons with HQMC's current organization and staffing policies and the perception of these policies in

the field, highlights those areas where improvement in current practice can best benefit the performance of the Marine Corps' PMR program.

5. Comparison and Analysis

A comparison between the research consensus and the organizational structure and staffing levels outlined for the Marine Corps' PMR program in Chapter II of this research effort is contained in Table 3.

TABLE 3

ORGANIZATIONAL STRUCTURE AND STAFFING COMPARISON

<u>Research Consensus</u>	<u>HQMC</u>	<u>Perceived</u>
High level, responsive to OSD, effective policy making activity	XX	XX
Permanent personnel	XX	XX
Extensive field experience in procurement		
Use of augmentees to improve inspection quality	XX	
Tailor inspection team makeup by using technical experts as required	XX	
Recognizes dual command structure		
Sufficient Personnel to perform reviews in timely manner		

This comparison, denoted by columns 1 and 2, highlights those areas most frequently addressed by the procurement personnel at both headquarters and in the field.

One of the major differences, sufficient numbers of inspectors to perform inspections in a timely manner, is considered critical by the headquarters personnel interviewed. The other two primary differences, absence of extensive field experience and the difficulty associated with the dual command structure present in the current system, were both major complaints of the field personnel. Given the Marine Corps' current commitment to decentralization, and the need for some form of functional management of the procurement function, the sense of a duality of command is likely to persist. However, as stated previously, this situation is endemic throughout the Marine Corps, and is an accepted management option in a variety of civilian and military organizations. Based on this, it is unlikely that any major structural changes can or will be considered by HQMC. The other difference, absence of field experience among PMR inspectors, can be addressed in a variety of ways. Upgrading and altering hiring criteria, utilization of field personnel as augmentees, and the creation of inspector billets at field locations were among the most frequently suggested actions by those interviewed. Whatever alternatives are chosen, the employment of experienced personnel as inspectors should have far-reaching effects on the viability and acceptance of PMR findings and any proposed procurement management improvements.

A second comparison between the research consensus and field personnel perceptions, reveals two additional shortcomings, a need to utilize more augmentees, and need for increased specialized expertise on the part of inspectors. While the field considers both of these areas as important enough to merit attention, they appear to be closely related to the differences identified in the first comparison and might even be considered responses to the shortcomings highlighted there. As such they should be considered in the context of staffing problems as a whole, and may not require a specific response.

Regardless of the alternatives chosen, it is important that acquisition managers at HQMC address any real or perceived shortcomings properly. Failure to ensure that review teams have the qualifications and resources required to conduct reviews properly, and in a timely fashion, can only decrease the effectiveness of the PMR program and procurement throughout the Marine Corps. The areas highlighted by the comparisons in Table 3 provide acquisition managers at HQMC with a starting point in designing alternative strategies to address this issue.

E. METHODOLOGY/IMPLEMENTATION

As discussed in Chapter II the methods used to implement the PMR program play a vital role in determining its ultimate success. Failure to conduct the program in a manner consistent with the goals and philosophy chosen will

cause perception problems and adversely affect the acceptance of the program both at the field and headquarters levels.

PMRs performed by the Field Support Branch are conducted in accordance with DLA's "Manual for Review of Contracting and Contract Management Organizations." In addition to providing detailed guidance on how to conduct reviews, this manual provides general guidance on the key implementation actions required to ensure a consistent and complete system of reviews. The areas outlined in the manual include [Ref. 2:p. I-1-3]:

- * Program Mission.
- * Program Coverage.
- * Standards.
- * Reports.
- * Post Review Actions.

The first of these items, mission, has already been covered in the first section of this chapter under goals. Another, standards, is outside the scope of this thesis. The standards referred to are covered in detail within the manual, and have been refined over two decades by the executive agents of DOD's PMR program. No attempt will be made to examine them within this research effort. The remaining areas detailed above will be examined in detail in order to provide a discussion of the issue of methodology and implementation.

1. Literature

The directives and instructions for implementing the PMR program are quite explicit in terms of program coverage, frequency of inspections, reporting and post review actions. Related to frequency, DOD Directive 5126.34 states [Ref. 1:p. 2]:

The Heads of DOD Components shall periodically review a sufficient number of their procurement organizations and contract administration offices to assure maximum efficiency and effectiveness in the conduct of the procurement process throughout the Department of Defense.

Related to reporting requirements, this Directive states [Ref. 1:p. 3]:

The Heads of DOD Components shall establish procedures whereby the cumulative results are reported semiannually to the appropriate Assistant Secretaries of the Military Departments or the Director Defense Logistics Agency. Such reports will serve to provide a compendium of the findings, trends, and follow-up actions indicating the required and accomplished improvements.

For the Navy and Marine Corps, this guidance is further amplified by the following passages from the NAPS [Ref. 9:p. 30]:

Each contracting activity assigned PMR responsibility shall....

(3) Conduct PMRs of contracting activities at least every three years but preferably on a two year cycle or more frequently if necessary.

(4) Ensure timely implementation of PMR recommendations under their cognizance and perform follow-up reviews to ascertain progress in correcting problems. Ensure satisfactory resolution of all PMR recommendations.

(5) Upon determination of an unsatisfactory condition in a procurement operation resulting from a PMR, the reviewing entity shall submit copies of the report to the

HCA with copies to the organization's line chain of command with a recommendation for adjustment to the activity's contracting authority. The HCA shall take action as appropriate including adjusting contracting authority. The HCA will then cause a formal follow-up review to be made within 60 days to determine if/when full authority can be restored....

Additional information is provided in the "Manual for Review of Contracting and Contract Management Organizations," which avoids prescribing specific actions, but provides the following guidance on review frequency, reporting and post-review actions [Ref. 2:pp. I-1-3,4]:

The Military Departments would review all procurement and/or contract administration organizations with workloads of \$500 million or more per year, preferably every two years. (Note: The dollar amounts should be individually established by the Military Service and DLA.) Where individual organizations were well managed and had few major problems, the Department or DLA could elect to extend a review to a three-year cycle.

It is suggested that the Assistant Secretary responsible for procurement within the Military Department or the Director, DLA, sign a preface to the report before it is distributed to field components.

The PMR Program can only be as effective as the actions taken to follow up and assure corrective action on the problems....Follow-up by requesting and securing written information on implementation of review recommendations is sometimes not too successful....Each Department and DLA should consider post review visits, perhaps within six months after the review, for the purpose of reviewing, evaluating, and reporting on actions taken to implement recommendations.

The passages above outline the concerns of higher level managers with the methodology and implementation of the PMR program. The following section examines this issue from the viewpoint of recent research efforts and studies.

2. Research and Studies

Only one of the studies that examined the PMR program addressed this issue directly. In this study, the DOD IG concluded that:

The review and reporting efforts need improvements for the program to provide reliable and useful information on the efficiency and effectiveness of the DOD procurement system to the Assistant Secretary of Defense, and other senior DOD managers....

Specific recommendations concerning these areas were not made by the IG other than to state that the Military Departments needed to follow their own and DOD's published guidance concerning PMR more closely.

The following section examines the views of procurement professionals concerning this issue.

3. Interviews with Procurement Professionals

As previously stated, the researcher asked Marine Corps and Navy procurement professionals at both the headquarters and field levels a series of questions concerning PMR in general, and the current Marine Corps PMR program in particular. The particular questions concerning the issue of methodology/implementation were:

- * What type of output or results do you feel a PMR program should produce?
- * Do you feel that the current system produces these types of results?
- * If not, how would you improve the system to provide the desired outputs or results?
- * Do you currently use PMR results? If so, how? If not, why?

- * Do you feel that changes in either of the two items previously discussed would increase your use of PMR results?
- * In what ways would any of the changes you suggested help you to improve the procurement process at your location?
- * Specifically, how would your suggestions improve the conduct and outputs of PMR inspections?
- * What do you feel would be the appropriate frequency for PMR inspections? Why?
- * Please make any additional comments about PMR that you feel will help improve this function within the Marine Corps Field Contracting System?

From the responses to these questions the researcher has developed a consensus on the issue for each of the two groups of interviewees.

The comments of those interviewed seemed to center around several key elements of implementation. These key elements were:

- * Reports and Grading.
- * Frequency.
- * Follow-up Action.
- * Involvement of Local Command.

a. Headquarters Personnel

Those interviewed at the headquarters levels felt that reviews are properly conducted in accordance with DLA's manual, and that reports are germane and responsive to the needs of the program. They were somewhat ambivalent about the issue of grading systems, and felt that the idea of eliminating grades could have merit. Headquarters

personnel felt that the desired frequency for inspections was three years, and follow-ups should be conducted through a paper/telephonic medium, except when the review revealed significant deficiencies. Those at headquarters felt that all inspections should include a visit by the team leader to the local installation commander. The purpose being to increase the visibility of the procurement operation and emphasize its importance to the local command's mission performance.

b. Field Personnel

The responses from field personnel were less consistent, but still had a great deal in common with headquarters' responses. Most field personnel felt that the current generation of reports were not useful. The two reasons most frequently cited for this were absence of current reports, and a tendency for reports to concentrate on small compliance type deficiencies, vice substantive management issues within the purview of the contracting officer.

Field personnel were divided on the issue of grades. Some felt that grades were a source of discontent and served no useful purpose. Others felt that grades were necessary as a goad to field personnel in preparing for the review, and as a means to differentiate between the quality of individual contracting organizations.

Frequency was a point of strong agreement among the field interviewees. All indicated the need for a three-year or less cycle for reviews. For the most part, field personnel felt that more vigorous follow-up action was required. There were two reasons for this. First, as a means of ensuring that the field activity's implementation of corrective action was sufficient to prevent a reoccurrence of a finding on a subsequent review. Second, in the event that external factors were preventing implementation of required changes. Most field personnel did not feel strongly one way or the other about increasing their visibility to the local command.

4. Research Consensus

From the preceding sections, the researcher has compiled a list of what the three sources consider to be the critical elements of methodology/implementation. These areas are summarized below:

- * DLA's manual provides a solid basis for the conduct of reviews.
- * Reports should address substantive issues, and should be forwarded to appropriate policy making levels.
- * Effective follow-up visits are essential.
- * Reviews should be conducted at least every three years.
- * Grading policies contribute significantly to program acceptance and should support the overall purpose of the program in an appropriate manner.

With the above providing the basis for a research consensus the researcher will use comparisons between the

research consensus, the current program, and perceptions of the current program in the field to highlight differences and alternatives for acquisition managers to consider for improving the Marine Corps PMR program's methodology/implementation.

5. Comparison and Analysis

Like the previous issues, a comparison between our research consensus developed above and the elements of methodology/implementation currently being applied under the present PMR program is difficult, due in large part to the absence of any written directives or policy statements that outline the elements of that methodology/implementation explicitly. However, by utilizing the information concerning methodology/implementation obtained during an interview with the current director of the Field Contracting Support Branch, which were outlined at the end of Chapter II, the researcher has constructed a table to effect the desired comparisons. These comparisons appear in Table 4.

From the comparison in columns 1 and 2, it is apparent that there are two areas where HQMC's stated policies are different when compared to our research consensus. These areas are critical to the success of any program. As stated in the goals section of this research effort, one of the main purposes of PMR is to provide procurement managers with accurate and timely quantitative data concerning the quality and efficiency of the

TABLE 4

METHODOLOGY/IMPLEMENTATION COMPARISON

<u>Research Consensus</u>	<u>HQMC</u>	<u>Perceived</u>
DLA's manual as basis for the conduct of reviews	XX	XX
Reports address substantive issues, and forwarded to appropriate policy-making levels	XX	
Effective follow-up visits are essential		
Reviews conducted at least every three years.		
Appropriate grading policies	XX	XX

procurement system. All sources agreed that this required at least a three-year cycle, preferably a two-year cycle. The Marine Corps has historically conducted reviews on an infrequent basis, and intends to conduct reviews regularly in the future, but on a longer than three cycle [Ref. 8:p. 2]. Based on this intention there is a conflict between HQMC's intended implementation plan and one of the basic goals of the PMR program. The strong possibility exists that failure to conduct reviews on a regular and timely basis will degrade or defeat accomplishment of the goals of the entire PMR program.

Of equal importance to effective implementation of the PMR program is the effective follow-up of the deficiencies and issues raised during the reviews. According to DLA, the Executive Agent for the PMR program,

written and telephonic follow-ups have frequently proven ineffective. Follow-up visits are recommended to ensure effective implementation of recommendations/solutions. This sentiment is echoed by field personnel in their interviews. Failure to ensure the proper implementation of recommended changes simply perpetuates the differences between the application of policy and its intended purpose. The elimination of these differences is vital to the achievement of program goals.

It is interesting to note that the Director of the Field Contracting Support Branch is aware of both these deficiencies. During our interview, he indicated his intention to increase efforts to inspect more regularly, and follow up more actively. However, he was not optimistic about the prospects for achieving significant improvements in these areas. The primary reason for his pessimism was the lack of available resources, specifically in terms of travel funds and the number of personnel available to serve as inspectors. The personnel currently assigned to the Field Support Branch are simply not sufficient to conduct the required reviews, given the other responsibilities assigned the branch. Additionally, there are not sufficient Temporary Additional Duty (TAD) funds to allow augmentation by field personnel. [Ref. 8:p. 4]

The comparison between the research consensus and the perceptions of field personnel reveals another area

where differences exist. This involves the output or reports that result from reviews. According to some field personnel, reports tend to concentrate on errors and compliance issues resulting from errors in judgment, rather than on system-caused problems or management issues that require the attention of headquarters levels. This was a minority opinion among those interviewed, and may be due to the common anti-inspection attitude that often exists. There were no real solutions proposed by field personnel, and given the nature of the issue, its source may lie in the goal and philosophy discussions that preceded this section.

From the preceding discussion and the comparisons in Table 4, it is evident that Marine Corps acquisition managers need to examine the current implementation of the PMR program and the effectiveness that can be derived from it under the current limitations. The differences highlighted in Table 4 provide acquisition managers at HQMC with a starting point for the development of alternatives to current practices.

F. SUMMARY

In this chapter, four issues previously identified in Chapter II as vital to the success of the PMR program were discussed and analyzed in detail from the perspective of three different sources: literature, previous research and studies, and procurement professionals in the field and at the headquarters level. Comparisons were made between a

research consensus on each issue developed from these sources, HQMC's current policies, and the perceptions of these policies by field personnel on each of the issues as they currently exist within the Marine Corps' PMR program. From these comparisons, the points of difference between the research consensus, current practice, and perceptions of current practice were highlighted. When available, the views of procurement professionals concerning possible alternatives to current practices were discussed. This information concerning the shortcomings of current practices and the alternatives proposed by field and headquarters procurement personnel should provide acquisition managers at HQMC with a starting point for developing realistic and effective alternatives where they are required to improve the overall effectiveness of the PMR program.

The next chapter presents the researcher's conclusions and recommendations regarding this research effort. Included are answers to the primary and subsidiary research questions, a summary of significant findings, and recommendations for further research.

IV. CONCLUSIONS AND RECOMMENDATIONS

A. RESTATEMENT OF OBJECTIVES

Recent pressures to reduce spending at all levels of the Federal Government have significantly increased the degree and detail of spending oversight required by Congress and other interested Agencies within the Federal Government. One major concern of these organizations is the management and control of expenditures related to procurement. Within DOD, the Procurement Management Review (PMR) program has been developed to ensure that procurement activities within DOD conduct their operations with the maximum effectiveness and efficiency.

The purpose of this research effort was to identify, to the maximum extent possible, the goals, management philosophy, organization, and methods currently used to conduct the PMR function within the Marine Corps' Field Contracting System, to analyze and compare these policies and procedures with a research consensus of ideal policies and procedures developed from three sources, highlight areas of similarity and difference, and provide acquisition managers at HQMC with recommendations for improving or changing current practices to optimize the effectiveness of the PMR program, given the Marine Corps' peculiar acquisition needs and structure.

B. CONCLUSIONS

Based on the results of this study, the following conclusions can be drawn:

- * There are significant differences between the research consensus developed for each issue and the current policies and practices employed by the Marine Corps in its PMR program.

This study compared the Marine Corps' current PMR goals, management philosophy, organizational structure and staffing, and implementation with a research consensus composed of what three sources indicated were ideal elements in each of these areas. The key differences noted for each issue were:

- * Goals. The need for a greater emphasis on conducting training in conjunction with PMRs, a need to recognize the influence of local external influences on procurement activity operations, and a need to include measures of customer satisfaction in reviews.
- * Management Philosophy. The need to recognize top level management and system responsibility for certain types of deficiencies (TQM Philosophy), and the questionable value of grading organizations on PMR results.
- * Organizational Structure and Staffing. The need to increase the number of inspectors in order to conduct inspections in a timely manner, and the need to recognize the problems inherent with the dual chain of command present in the Field Contracting System.
- * Methodology/Implementation. The need to conduct reviews on a minimum of a three year cycle and to conduct follow-up visits in an effective manner.

Some of these differences are small and have probably had little effect on the overall effectiveness of the PMR program. Others, particularly those related to staffing,

and implementation appear to be significant, and may have seriously degraded the effectiveness of the program.

- * There exist significant differences between current policies and practices as they are stated by managers at HQMC and the perception of those policies and practices by contracting personnel in the field.

This study also compared HQMC's currently stated PMR goals, management philosophy, organizational structure and staffing, and implementation with what personnel in the field perceive as the actual goals, management philosophy, organizational structure, and implementation of the PMR program. Key differences noted on each issue were:

- * Goals. The need to increase the emphasis on identifying actual management deficiencies vice simple errors in judgment.
- * Management Philosophy. The need to reduce compliance check attitude, the need for increased emphasis on corrective vice reporting actions, and the need for increased appreciation for field feedback.
- * Organizational Structure and Staffing. The need to increase the number of inspectors in order to conduct inspections in a timely manner, the need to recognize the problems inherent with the dual chain of command present in the Field Contracting System, the need to utilize augmentees to improve inspection team quality, and the need to tailor inspection teams with experts as required.
- * Methodology/Implementation. The need to conduct on a minimum of a three year cycle, to conduct follow-up visits in a effective manner, and to ensure that reports address substantive issues.

The differences noted above were viewed by field personnel as additional shortcomings in the current program. Additional, because the field personnel had significant input to the research consensus, and for the most part

viewed even HQMC's stated policies as insufficient as outlined under the previous conclusion. From the nature and number of differences noted, it appears that significant changes must be considered to convince field personnel of the value and effectiveness of the PMR program.

- * The Marine Corps' current PMR program does not meet the needs of the Field Contracting System as those needs were expressed in interviews with managers at both headquarters and field levels.

From the comparisons, and interviews with personnel at both HQMC and field activities, it is apparent that the current program has significant shortcomings when compared to what current regulations and contracting professionals would consider ideal. This coupled with the attitude of field personnel towards the use of PMR results, and the lack of timely reporting that characterizes the current program, indicates that the program in large part fails to meet the goals of acquisition managers at HQMC and in the field. This is reflected in their interviews and Table 1 of this research effort.

- * The Marine Corps can and should improve its current organization and conduct of the PMR function.

Recent events in the procurement world support the need for effective oversight of procurement activities at all levels in DOD. Ethical problems, resource limitations, congressional micro-management and the proliferation of regulations are just a few of the reasons for developing an effective program for reviewing procurement decisions and

actions. Aside from issues involving public trust and the efficient utilization of resources, the ability to be "forewarned," and therefore "forearmed" is vital. The foreknowledge provided by self inspection often provides an important opportunity for damage control. The privilege of self-governance in procurement matters also bears the responsibility to ensure effective oversight of those matters. If shortcomings in current PMR efforts exist, it is incumbent on the Marine Corps to rectify those shortcomings and ensure that oversight responsibilities are properly met.

Viewing the differences noted in the previous conclusions as possible shortcomings in the current PMR program indicates there is room for significant improvement in current policies and practices. While not all of the differences reflect serious shortcomings, they were developed with the peculiar needs and structure of the Field Contracting System in mind and accurately reflect the thoughts and attitudes of the contracting professionals within that organization. As such, they provide a good starting point for improving current practices as they are viewed by those who must utilize and administer the current field procurement system. This tailoring of improvement to the needs of the Field Contracting System can only increase the acceptance and use of PMR results and recommendations.

- * The current managers of the PMR program at HQMC are already aware of some of the more serious shortcomings in the current program, but have been unable to correct them due to resource limitations.

During interviews with the current directors of the Contracts Division and the Field Support Branch, both individuals made numerous suggestions that were incorporated as elements of the research consensus, but which were not current policy or practice in the PMR program. When questioned as to why this was, both indicated that there were improvements they would like to make, but were unable to due to resource constraints. In particular, these improvements were related to the numbers, and quality of inspection teams, availability of Temporary Additional Funds for inspection teams, and augmentation of inspection teams with field personnel.

C. RECOMMENDATIONS

In the course of this research effort, several areas were highlighted where changes to current policies and practices could provide worthwhile improvements in the effectiveness of the PMR function in the Marine Corps Field Contracting System.

- * The Marine Corps should determine the need for, and overall value of having a PMR program within its Field Contracting System.

While DOD and DON have regulatory requirement for a PMR program, those regulations allow the Services wide latitude in establishing program requirements depending on the dollar

amounts that the activities spend each year. With this in mind, and given the relatively low dollar amounts spent by each activity within the Field Contracting System, the Marine Corps needs to compare benefits received from an organic PMR program and the resources expended in supporting such a program.

- * The Marine Corps should examine whether the Field Contracting System's PMR needs could be best met by establishing a Marine Corps PMR organization, or whether the Navy's current PMR structure could effectively support the Marine Corps' needs more efficiently.

If the Marine Corps feels that the Field Contracting System needs a PMR function, then it must decide how to most effectively and efficiently perform that function.

Implementation of a full scale PMR program will require the expenditure of certain resources, both financial and manpower in nature. Given the size and nature of the Navy's current PMR structure, those resources might be better spent reimbursing the Navy for performing PMRs of Field Contracting System activities.

- * The Marine Corps should review its current PMR program in terms of the issues and alternatives outlined in this research effort.

The comparisons and discussion contained in this research effort highlight possible shortcomings in the current program in two different ways. Current efforts as compared to a research consensus developed from literature, previous research efforts, and the views of Marine Corps contracting professionals, and current efforts as they are

perceived by contracting professionals in the field. HQMC's efforts to improve the current program should focus on those areas where the current program differs from higher level directives and where current users view the program as being deficient. This research effort was designed to highlight these areas and to produce results tailored to the needs of the Marine Corps peculiar acquisition structure.

- * If the Marine Corps decides to maintain its current PMR structure, it should review the current resource levels, both financial and manpower, with an eye to significantly increasing both.

As previously stated, the current managers of the PMR program are aware of numerous shortcomings in the current program. However, they have not addressed these problems due to resource limitations. If HQMC desires an effective PMR program, it must be prepared to examine and rectify shortcomings identified as due to lack of sufficient resources. If such resources cannot be found, then program objectives and the program's overall value to the Marine Corps should be examined and downgraded as necessary.

D. RECOMMENDATIONS FOR FURTHER RESEARCH

The following suggestions are presented concerning additional research which could serve to amplify and augment the results of this study:

- * Determine the financial and manpower resources required to meet the PMR needs of the Marine Corps' Field Contracting System, specifically in terms of the time and manpower costs per activity reviewed, and the composition and number of inspection teams required to conduct reviews and follow-ups on a three-year cycle.

This study concentrated on identifying how the current system could be improved from the viewpoint of regulations and contracting professionals. To effectively implement improvements, the costs and benefits of these improvements must be defined and considered for their congruence with overall program goals. Only then can they be properly justified and budgeted for.

- * **Examine the feasibility of employing the Navy's PMR system to meet the PMR needs of the Marine Corps Field Contracting System.**

The Marine Corps utilizes Naval facilities and service organizations to fulfill a variety of needs. In particular, this option is employed where needs do not justify the investment required. The employment of the already established Navy PMR organization could produce economies of scale that would meet the Marine Corps needs without requiring the degree of investment that a Marine Corps peculiar PMR organization would.

E. ANSWERS TO RESEARCH QUESTIONS

1. Primary Research Question

How should the Marine Corps organize to perform a Procurement Management Review function that will best serve its peculiar acquisition and procurement needs and structure?

Specific shortcomings in the current PMR system are identified in Chapter III of this thesis. Alternatives to current practices and organization are also discussed in

Chapter III. Changes to correct these deficiencies and the development of improved feedback from the field should result in significantly improved PMR within the Marine Corps Field Contracting System.

2. Subsidiary Research Questions

a. How Does the Marine Corps Currently Review Its Procuring Activities?

The Marine Corps has taken a somewhat ad hoc approach towards conducting reviews. The Marine Corps uses DLA's "Manual for Review of Contracting and Contract Administration Organizations" as a guide for the actual structure and conduct of reviews. However, reviews have been conducted infrequently and the current organizational structure is unable to support a full schedule of reviews as required by higher level directives. There exists no published directive or guidance outlining Marine Corps peculiar inspection requirements or HQMC's intentions concerning the PMR program.

b. How Do Those Being Reviewed Perceive the Current PMR Program in Terms of Meeting the Needs of the Marine Corps Field Contracting System?

Field personnel have significant reservations about the current program's ability to meet the needs of the Field Contracting System. The specifics of these reservations are outlined in Chapter III of this thesis, along with some of the alternatives to current practices proposed by these same field personnel.

c. Does the Current System Meet the Needs of the Marine Corps Field Contracting System?

From the interview process, it is apparent that both headquarters and field personnel feel that the current system has significant shortcomings, and that it does not currently provide useful products for acquisition managers.

d. Can and Should the Marine Corps Improve on Its Current System?

Acquisition managers at both the headquarters and field levels clearly felt that changes were required to improve the current system. The majority also indicated that they felt the PMR process should and could provide valuable information for improving the overall management of procurement within the Field Contracting System.

e. How Would the Reorganized System Differ from the Current System in Goals, Management Philosophy, Organizational Structure, and Implementation?

Chapter III of this thesis outlines in detail the differences between current practices and the ideal, as represented by the research consensus developed for each issue. Any reorganization of the PMR function should closely parallel the elements of the research consensus outlined in Tables 1-4 in Chapter III.

F. SUMMARY

From this study it is evident that an effective and well-designed PMR program can contribute significantly to the effective and efficient employment of procurement assets. It is also apparent that the PMR program within the

Marine Corps Field Contracting System does not fulfill the goals set forth in either DOD or Navy directives, or the needs of the contracting community under its purview. As such, current PMRs are unlikely to make significant contributions to improving the overall procurement management within the Field Contracting System. While the issues and viewpoints utilized in this study do not represent an exhaustive examination of PMR activities, they do provide the basis for analyzing and improving the current procedures and practices utilized by the Marine Corps.

APPENDIX A

LIST OF INTERVIEWS

1. Interview between P.E. Zanfagna, Director, Contracts Division, Code LBO, Headquarters Marine Corps, Washington D.C., and the author, 23 August 1989.
2. Interview between P. Dierenzo, Director, Field Contracting Support Branch, Code LBO, Headquarters Marine Corps, Washington D.C., and the author, 23 August 1989.
3. Interview between J. Gillespie, Former Director, Field Contracting Support Branch, Code LBO Headquarters Marine Corps, Washington D.C., and the author, 24 August 1989.
4. Interview between Capt. D. Geving, Head Field Coordination Section, Field Contracting Support Branch, Code LBO Headquarters Marine Corps, Washington D.C., and the author, 23 August 1989.
5. Interview between E.J. Stolark, Director of Contracts, MCRDAC, Headquarters Marine Corps, Washington D.C., and the author, 23 August 1989.
6. Interview between B. Meltz, Deputy Director, Procurement Management Review, Contracts Management Branch, Naval Supply Systems Command, Washington D.C., and the author, 24 August 1989.
7. Interview between C. Nobes, Director of Contracts, Marine Corps Logistics Base, Albany GA, and the author, 16 October 1989.
8. Interview between Maj. P.C. Butler, Director of Contracts, Marine Corps Logistics Base, Barstow CA, and the author, 17 October 1989.
9. Interview between L.B. Hendricks, Deputy Director of Contracts, Marine Corps Base Camp Lejeune NC, and the author, 18 October 1989.
10. Interview between Capt. M. Corcoran, Director of Contracts, Marine Corps Base Camp Pendleton CA, and the author, 19 October 1989.

11. Interview between G.E. Watson, Director of Contracts, Marine Corps Development and Education Command, Quantico VA, and the author, 24 August 1989.
12. Interview between M. Pugliese, Director of Contracts, Marine Corps Air Ground Combat Center, Twentynine Palms CA, and the author, 23 October 1989.
13. Interview between R.C. Brooks, Deputy Director of Contracts, Marine Corps Recruit Depot Parris Island SC, and the author, 24 October 1989.

APPENDIX B

INTERVIEW RECORD

This form is designed to record your appraisal of certain aspects of the current PMR system and suggestions for improving it. You may designate whether you desire your responses to be anonymous. If not your comments may be used and attributed to you in a thesis. Your cooperation is deeply appreciated.

1. I do/do not desire to remain anonymous?
2. How would you classify your current status, field contracting or headquarters staff?
3. What is your primary experience with PMR? As an inspector, as an inspectee (contracting officer), or as a manager at headquarters levels?
4. What do you feel is the primary purpose of PMR?
5. Should there be some other purpose for PMR?
6. What management approach do you feel is most likely to fulfill this purpose?
7. Do you feel the current system utilizes this approach to achieve the desired purpose?
8. If not, how would you change the current approach to better fulfill the desired purpose?
9. To what degree do you feel that management approach is determined by the politically popular initiatives, i.e., competition, buy commercial, etc.?
10. How would you prevent this?
11. What type of output or results do you feel a PMR program should produce?

12. Do you feel that the current system produces these types of results?
13. If not, how would you improve the system to provide the desired outputs or results?
14. Do you currently use PMR results? If so, how? If not, why?
15. Do you feel that changes in either of the two items previously discussed would increase your use of PMR results?
16. In what ways would any of the changes you suggested help you to improve the procurement process at your location?
17. What are the typical rank and experience levels of PMR inspection teams?
18. Are the current ranks, experience mix, and number of inspectors sufficient to perform the tasks required?
19. What changes would you suggest to improve the process?
20. Specifically, how would your suggestions improve the conduct and outputs of PMR inspections?
21. What do you feel would be the appropriate frequency for PMR inspections? Why?
22. Please make any additional comments about PMR that you feel will help improve this function within the Marine Corps Field Contracting System?

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